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Town Administrator

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Town Administrator's (TA) Recommended Fiscal Year 2022 (FY22) Comprehensive Budget Message

The development of the FY22 operating and capital budget began in the Fall of 2020. This budget-development process had obstacles beyond the typical challenges of prior evolutions. The greatest challenge to the budget development in this cycle is derived from the impacts of COVID-19, particularly in our attempt to prepare for the ongoing uncertainties related to this pandemic. Special Town Meeting in October 2020 appropriated a revised budget that adjusted to lower than originally projected revenues, and also authorized the borrowing required to construct a new fire station. Town departments and the School Department took advantage of special grants from federal and state-aid meant to offset the burdens on municipalities in operating amongst a pandemic, but those grants were not authorized to replace lost revenue. The economy of the town reflects the struggles of small business amongst the pandemic, but also shows indications of growth, namely by the development of Maynard Crossing and housing market valuation increase.

A special consideration should be made for the personnel changes of the town's staff in FY21, including the introduction of a new Superintendent and School Business Manager of Maynard Public Schools, Town Clerk, Library Director, Treasurer/Collector, and Town Accountant. New leadership requires a period of adaptation and change, and I am excited to see how the departments and offices of the town evolve in FY22.

The development of this FY22 budget recommendation was also impacted by the sudden and tragic loss of Treasurer/Collector Cheryl Kane, who left a legacy of selfless compassion for her colleagues in Town Hall and a commitment to fiscal responsibility for the community she served.

Revenue:

The basis of any budget begins with revenue projections. For FY22, we began with the prior year's levy limit of \$31,895,084. We added an increase to property tax collections by 2.5% in accordance with "Prop 2 ½", which adds \$797,377. Based on the Chief Assessor's projections, "New Growth" is estimated at \$500,000. The sub-total of real estate revenue with Prop 2 ½ and New Growth is projected as \$33,192,461.

"Local Aid" from the state, both for General Government and School support, is uncertain during the development and proposal of this current fiscal year's operating budget, therefore we projected a level-funded amount for the FY22 budget proposal. This gives revenue from net local aid as \$5,925,153. When Local Aid is known, I will advise the Board of Selectmen on how to propose to Town Meeting to appropriate the funds. Options may include: supplementing the Maynard Public School District's operating budget; supplementing general government's operating budget; or reducing the appropriation from New Growth, which implies less tax collection and lowering the increase to taxes for FY22.

Reimbursement from the state for school construction projects, including the High School, is set at \$897,660. "Local receipts" collected through fees, permits, licenses and other forms of payments other than real-estate taxes is conservatively estimated to be \$328,000 over this current fiscal years, for a total projection in FY22 to be \$2,835,000. The projections for revenue from Local Receipts were reduced in the summer and fall of 2020 in

reflection of the impacts of COVID-19 on the local economy. However, while some businesses have not survived the pandemic, the town fared somewhat better than originally expected, and the introduction of Maynard Crossing and the recreational marijuana industry should yield positive revenue sources going forward.

Tax collected revenue for current excluded-debt is \$2,134,519 which is \$34,768 less than FY21 as we pay off bonds. The TA Recommended FY22 Budget proposal includes paying for bonds through debt exclusions for the construction of a fire station and repairs to the Green Meadow Elementary School roof. In FY22, revenue required to collect through debt exclusions for the fire station is estimated at \$869,941. The actual cost of borrowing including the rate for a 30 year bond is not yet know, but the new Treasurer/Collector is expected to begin planning with bonding agencies and bond counsel immediately. The bond scheme is not yet determined, but the same conservative project cost of \$16,000,000 remains to be bonded over 30 years.

As excluded debt for the high school, police station and school boilers is paid off, the amortized bond premium on excluded debt decreases by \$(5,098) from FY21.

Transfers from other internal sources contributes to calculated revenue, including from the water, sewer enterprise budgets, the ambulance services' receipt for appropriation, and from "Public, Educational, Governmental" (PEG) payments from local cable providers. The total in transfers is projected to decrease for FY22 by \$(75,940) or (5.26)% because of ambulance receipts will fund the lease of a new ambulance instead of supplementing the operating budget. However, PEG transfers increased by \$4,060 because of an increase in capital outlay for the school department.

The total revenue projected for the TA Recommended FY22 Budget is \$47,272,714. This is an increase of \$2,379,512 or 5.3% over the current FY21 budget.

For the current FY21, the average single family (ASF) household valuation is \$407,807, and the ASF tax bill is \$8,417.

For FY22, the ASF value is estimated to increase to \$411,885. For the TA proposed FY22 budget using 2.5%, all of New Growth and existing debt exclusion tax collection, applying the current FY21 tax rates and the FY22 assessed ASF home value, the estimated ASF household tax bill increases by \$360, which includes \$210 for the appropriated debt exclusion costs.

Grants are and will be aggressively pursued to help offset operating and capital demands on revenue. Other extraordinary forms of revenue may be possible but not projected, included further taxes and impact payments from recreational marijuana sales not yet already in development, mitigation funding through a partnership with the Fazheng Group's international school at 111 Powder Mill Road, credits from solar-panel installations on school property, and the infill of Mill and Main or other existing properties in town.

Recreational marijuana establishments are required to provide a portion of their revenues towards Community Impact Payments, but these funds are not yet known and are therefore not budgeted to be used at this time. These Payments must be used to fund initiatives to mitigate the impacts from the industry on the community.

Expenses:

Expenses are proposed by government function. For General Government, the TA recommended FY22 budget proposes an increase of \$246,922 which is 8.52% over the FY2021 budget. The largest factor contributing to this increase is the establishment of a Capital Pay-As-You-Go funding source totaling \$121,575. Capital items proposed to be funded by this approach include: a new School Student Information System for \$75,075; a Thermal Imaging device for the Fire Department for \$7,500; new defibrillator kits for the Fire Department for \$9,000; and an upgrade and replacement to the town department's aging computer servers for \$30,000. These items were

deliberated by the newly re-established Capital Planning Committee. Their recommendations for a Capital Improvement Plan will be presented separately from this message. Other recommended increases to General Government include a significant increase to the town's liability insurance premium for \$81,010, which is an increase of 15% and can be attributed to the claims filed for the renovations to Green Meadow Elementary School. Funds are also recommended to support the planned regular turnover of computer work stations for town departments, in the amount of \$10,385. Facilities maintenance and utilities costs are recommended to be increased by \$31,500, which includes an replacement of the currently unreliable phone lines to Town Hall, and a transfer of funds from Public Works to General Government under the appropriately-corresponding Facilities account. The library is also requesting a \$13,000 software update, which is budgeted for in the Data Processing line of General Government.

Public Safety's budget proposal is an increase of \$68,150 which is 1.35% over the FY2021 budget. This reflects contractual obligations for salaries for Maynard Police, Fire and Dispatchers. The police department underwent an organizational restructuring in FY21, including the appointment of new Chief, the establishment of a Deputy Chief, and promotions following multiple retirements. A substantial increase is recommended to fund the educational incentives of multiple newly appointed officers, as stipulated in the Police union's collective bargaining agreement. The restructuring of the police department allows for a projected decrease in need for overtime in FY22. It should be noted that the Town Administrator's Office is current negotiating with the NEPBA police unions, Locals 54 and 55, and it is standard practice to not budget for the presumed impacts from a new collective bargaining agreement until an agreement is tentatively approved. The police department's regular request for a new police cruiser is not included in the operating budget, as would be most advised, but is instead included in the recommended allocation of Free Cash within the Capital Improvement Plan. It is strongly recommended to include funding for a police cruiser in the operating budget in future yearly-appropriations. The recommendation for the fire department's budget reflects a tentatively approved Memorandum of Agreement with the IAFF 1947 fire fighters' union intended to encourage personnel retention and authorize in-house training as an alternative to the state's fire academy, which would alleviate costly overtime demands while personnel are away at the academy. The fire department's budget request included an increase in salaries for a Deputy Fire Chief position, and I endorse the justification presented by the Fire Chief for the creation of this position. However, the demands of other departments' budgets requires restraint for FY22, but I strongly encourage the appropriation for the salary for a Deputy Fire Chief in the near future in order to support the department's leadership structure to meet the demands of growth in the community.

For Maynard Public School District, the TA recommended FY22 budget proposes an increase of \$1,044,034 which is 5.21% over the FY2021's final budget (the final budget reflects the appropriations of the Special Town Meeting held in October 2020). The School Committee and Superintendent's Office is expected to provide a report as to their proposed expenditures based on this recommendation. The TA recommended appropriation is \$(758,084) less than their originally requested budget increase. With no accurate estimation of Local Aid for the School District from the state in the current TA recommended budget, the Board of Selectmen can consider adjusting the District's budget appropriation when information is received. It should be noted that school department expenses are funding through other avenues in the TA recommended comprehensive budget, including capital funding for a new student information system for \$75,075, the upgrade of district-wide wifi for \$72,000, and funds for facility renovations for \$40,000.

Assabet Valley Regional Technical High School's assessment increased by nearly 2.42% for FY22, as an increase of \$30,409 over the current fiscal year.

Public Work's budget proposal is an increase of \$26,158 which is 1.24% over the FY2021 budget. This reflects contractual obligations for salaries, and an increase of expenses towards solid waste and recycling processing, and a decrease in utilities funds as those are transferred to Facilities under General Government. A number of budget requests were not forwarded in this recommendation which should be considered for proper budgeting in the

future, including: an additional part-time custodial position to backfill a position following the transition of the town's Head Custodian to the recently vacant Assistant Facilities Manager role; an increase to municipal separate storm sewer system (MS4) funding to meet management demands and less reliance on yearly budget transfers; a commitment to funding tree and right-of-way vegetation management demands and less reliance on yearly budget transfers; an increase for snow and ice operations, which is level funded at \$117,000 as it has been for many years, which forces reliance on Free Cash each year and prevents other investments.

Culture and Recreation's budget is for library services, and my proposal is an increase of \$14,000 which is 2.38% over the FY2021 budget. This reflects contractual obligations for salaries and library supplies. The library is also requesting a software update, which is budgeted for in the Data Processing line of General Government.

The excluded debt service budget proposal is an increase of \$818,713 which is 26.16% over the FY2021 budget. This reflects the retiring debt of \$(99,656) against the additional debt of \$869,941 for the fire station's construction and \$48,428 for the repairs to the elementary school roof.

Non-excluded debt service budget proposal decreases by \$(20,885) or (8.25)%, for a total of \$232,255 in FY22. This is debt paid for out of the levy limit, and not collected separately for exclusive purposes. No new non-excluded debt service is proposed for FY22.

The percentage of the non-excluded debt of the total General Fund budget for FY22 is 0.49%. The percentage of excluded debt of the total General Fund budget increases from 7% in FY21 to 8.4% in FY22. Therefore, the total debt of the General Fund budget would be 8.89% in FY22.

The budget proposal for employee benefits increases by \$332,332, or 3.89% for FY22. This reflects increases to retirement of \$146,446 and an estimated 5% increase for the cost of health insurance to employees over this current fiscal year. The town's health insurance provider, MIIA, has not yet provided the FY22 premium increase report at this time, and the town's health insurance advisor is optimistic in review of our claims that the town can expect a mid-single digit increase over last year. The Board will need to consider how any funds should be budgeted for if the health insurance increase is not as high as 5%. Options may include: towards other departments; capital items; or not re-allocated and therefore allowing for some cushion should substantial health-care costs from claims arise over the course of the year. MIIA has indicated that the town has an advantageous "loss-ratio", but adds that they are uncertain how to predict the scale of post-COVID claims once medical offices fully re-open.

The proposed funding amount of a reserve fund is level at \$250,000.

Funding towards "Public, Educational, Governmental" (PEG) access is offset by revenue provided by local cable network providers. This expense is \$5,860 or 1.63% more than this current FY, per the school and town's department's usage. It should be noted that expenses mainly fund positions for the school district's WAVM communication program's teaching staff, and that expenses outweigh contracted-set revenue projects by the close of FY2023.

Funding for the "overlay" reserve to offset tax abatements decreases by \$(37,107) or (13.39)%, and is in keeping with budgeted trends.

Total expenditures for the TA recommended FY21 budget is \$47,272,714, which is \$2,528,586 or 5.65% over the current FY21 budget.

The Water Enterprise budget is recommended to increase by \$216,614, and totals \$2,272,247 for FY22. The town's water systems are aging and strained, and investments must be made to both meet current needs and

future demands. More information on this proposal is already provided to the Board from the Director of Public Works.

The Sewer Enterprise budget is recommended to increase by \$152,889, and totals \$3,521,139 for FY22. Adjustments to customers' rates will need to reflect this budget proposal. The need for this increase is to meet the demands of the town's infrastructure needs and protect the town's vital assets, just as it should do for its water systems. More information on this proposal is already provided to the Board from the Director of Public Works.

Although the ambulance service's revenue had been annually tapped to offset General Fund operating expenses, I am recommending a commitment of the use of these revenues for the leasing costs of a new ambulance, already authorized by Town Meeting. The amount recommended to continue this scheme in FY22 is \$79,413, as the second year of a five year lease agreement.

Capital:

The Town Administrator's (TA) Office is working with the newly re-established Capital Planning Committee ("CapCom") to develop a town-wide capital policy. While the new capital policy is not complete, the TA recommended FY22 capital budget proposal was developed through meetings with the CapCom. The committee is expected to present their Capital Improvement Plan to the Board and community at the Joint Budget Review meeting.

"Free Cash" of funds not used in FY20 is certified at \$841,579, and is proposed in this TA recommended FY22 budget to be used in the following way:

Devote \$300,000 towards snow and ice response services; provide \$300,000 towards General Stabilization; invest \$25,000 towards "Other Post-Employment Benefits" (OPEB) obligations; contribute \$19,579 to Capital Stabilization; and, fund one-time capital proposals totaling \$197,000.

The recommendation for the General Stabilization transfer serves towards replenishing this fund following the commitment to withdraw \$1,000,000 for the cost of a feasibility study to replace or renovate the Green Meadow Elementary School. This endeavor is in collaboration with the Massachusetts School Building Authority (MSBA), and it is expected to receive approximately 40-50% in funds from the state to offset the costs of this project. The MSBA will determine the proportion of this study, and eventually the entire school's construction costs, to be reimbursed to the town, but it is unknown at this time. A portion of any extraordinary revenue received in FY22 and beyond, possibly from a partnership with the Chinese-international school or marijuana sales, should be considered to replenish the General Stabilization fund.

The one-time capital proposals include:

Purchasing a police cruiser in the amount of \$45,000 for the Maynard Police Department; purchasing a public works truck at a discount from the Housing Authority in the amount of \$40,000; funding the renovations of bathroom facilities in schools in the amount of \$40,000; and, completing the second of a two-year upgrade to the "wifi" across the entire school-district in the amount of \$72,000.

The Maynard Public Library's software requires period upgrade, and in FY22, \$13,000 is recommended to be appropriated from the Data Processing line of General Government.

The Maynard Golf Course's club house roof is reportedly in need of repairs. Budgeted from the funds turned-over to the town of the Course's revenue, studies are being planned to evaluate the scope of work for the roof and HVAC renovations.

The FY20 water utility rates cover the ongoing debt for the final construction phase of Well 4A, which is projected to cost \$1,500,000, and help meet the demand for an increase in water supply. The new water utility rates are recommended in order to fund new debt of \$1,000,000 for an upgrade to the Treatment Plant #4 in alignment with the new well's construction. A transfer from the sewer enterprise reserves is recommended to fund a \$500,000 vacuum truck.

The state's allocation of "Chapter 90" road and sidewalk infrastructure funding is \$293,469 for the current fiscal year. This same amount is optimistically projected for FY22 and beyond. For this budget, it is not recommended to enhance this funding from other revenue or budgetary sources. But the general fund should be considered to supplement Ch 90 state funding going forward, as the state aid is not enough to keep up with vital infrastructure maintenance.

Respectfully submitted,

Greg Johnson